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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Amendments to Uniform System of) CC Docket No. 97-212
Accounts for Interconnection)

COMMENTS OF PUERTO RICO TELEPHONE COMPANY

The Puerto Rico Telephone Company ("PRTC") submits its comments on the Commission's Notice of Proposed Rulemaking¹ in the above-captioned proceeding.

I. INTRODUCTION

Pursuant to Sections 251 and 252 of the Communications Act and the Commission's implementing regulations, incumbent local exchange carriers ("ILECs") are participating in transactions with other carriers that may not be reflected in ILEC Part 32 Uniform System of Accounts. Recognizing this, the Commission appropriately proposed that certain amendments to Part 32, particularly the establishment of new accounts, may be necessary. The Commission also has proposed the establishment of various subsidiary record requirements.

PRTC agrees that most of the proposals contained in the NPRM may provide meaningful information without imposing undue administrative burdens. However, the requirement to establish, in each and every account, subsidiary records to capture separately the costs of interconnection and each unbundled network element seems unlikely to provide

¹ Amendments to Uniform System of Accounts for Interconnection, Notice of Proposed Rulemaking, CC Docket No. 97-212, FCC 97-355 (rel. October 7, 1997) ("NPRM").

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benefits that outweigh the administrative burdens of such a requirement. Accordingly, PRTC requests that the Commission not impose this subsidiary record requirement.

II. THE COMMISSION SHOULD NOT IMPOSE SUBSIDIARY RECORD REQUIREMENTS FOR INTERCONNECTION COSTS

The Commission tentatively concludes that the costs incurred by ILECs for the provision of interconnection and access to unbundled network elements should be recorded in the existing Part 32 accounts. Subsidiary record categories are proposed to record the costs associated with interconnection, for each account that contains such costs.² It is not clear if subsidiary records must also be maintained for the costs of unbundled network elements.³ For the purpose of these Comments, PRTC interprets this requirement as pertaining both to interconnection and unbundled network elements.

The Commission proposes that the amount of costs to be recorded in these subsidiary records will be

based on the revenues received for providing interconnection and that the apportionment of the costs should be consistent with the cost studies underlying the charges for these services and elements. If agreements are reached to provide interconnection or access to unbundled network elements that are not based on ILEC cost studies, we propose to require the ILEC to construct a cost study reflecting the agreement upon which to base its assignment of costs to the subsidiary records. Moreover, if a state has arbitrated an agreement, we propose that any action of the state that alters the underlying cost study (such as a cost disallowance) should be reflected in the

² NPRM at ¶ 14.

³ The NPRM states that subsidiary record categories are proposed for interconnection. However, when discussing the use of agreements rather than cost studies to calculate the amounts to be recorded in these categories, the NPRM refers to agreements for interconnection or access to unbundled network elements. Id.

underlying cost study upon which the ILEC bases the reclassification of costs to the subsidiary records.⁴

ILECs would be required to maintain a sufficiently detailed audit trail to support the amounts reported in these subsidiary records.

The proposal to require subsidiary record categories within each account containing the costs of interconnection or unbundled network elements, by rate element, would impose a significant administrative burden on carriers. PRTC recommends that this proposal not be adopted, because: (1) this subsidiary record requirement is inconsistent with Part 32; (2) the subsidiary records would suffer from substantial internal inconsistency; (3) the establishment of subsidiary record categories for interconnection and unbundled network elements is not practical; (4) such a requirement would be contrary to recent Commission actions to reduce administrative burdens on carriers, and (5) the Commission may issue requests for data when cost information regarding interconnection or unbundled network elements is required.

A. The Subsidiary Record Requirement Would Be Inconsistent with the Existing Part 32 Accounts

Part 32 accounts provide for an historical accounting system that is structured on a functional basis, not a service specific basis. The accounting for existing Part 32 accounts is conducted based on embedded costs. However, the pricing of interconnection and unbundled network elements may be, in many instances, based on forward looking economic cost studies. PRTC is not aware of any logical reason to combine the accounting for embedded costs with forward looking costs.

⁴ Id. (internal footnote omitted).

B. The Subsidiary Records Would Suffer from Substantial Internal Inconsistency

The costs of interconnection and unbundled network elements, whether based on an embedded cost or forward looking cost methodology, are the result of numerous allocations and plant usage statistics (e.g., fill factors), which change when demand changes.

Accordingly, the cost studies used to develop the amounts recorded in the subsidiary record categories will produce different results each time they are updated. In addition, the costs to be reported in the subsidiary records for the same rate element will not be the same for all customers. This may be the result of preparing cost studies at different times, the substance of different agreements, or regulatory actions. Such differences will significantly complicate the required accounting process, and the inherent lack of consistency in valuations suggests that the records themselves may provide minimal value.

C. Subsidiary Record Categories for Interconnection and Unbundled Network Elements Are Not Practical

The costs incurred in the provision of interconnection and unbundled network elements are recorded in numerous existing plant asset and expense accounts. The creation and administration of subsidiary record categories in each of these accounts, for the purpose of recording amounts related to interconnection or unbundled network elements, would clearly be a very complex task. Moreover, to the extent that the valuation of amounts to be recorded in these categories would be based on costs, agreements, regulator actions or a combination of these, the level of complexity would be compounded. Given that accounting organizations do not tend to have roles in the negotiation of interconnection agreements, such agreements will not likely be drafted with regard to the future ease of compliance with these

rules. Moreover, it would not be reasonable for accounting considerations to drive the negotiation of interconnection agreements.

Under the proposed valuation methodology for amounts to be recorded in these subsidiary records, there could be a different set of interconnection valuations for each separate interconnection agreement. At present, approximately twenty companies have registered with the Telecommunications Regulatory Board of Puerto Rico as carriers. Accordingly, twenty sets of different valuations for amounts could be recorded in these subsidiary records under the instant proposal. Each set of valuations would consist of multiple rate elements, unbundled into the inherent costs for dozens of accounts. The burden of such a reporting requirement is apparent.

Because these valuation methods are completely different from the historical accounting approach reflected in Part 32, carriers would be required to develop new accounting processes solely for the purpose of complying with this subsidiary record requirement. In order to substantiate the amounts contained in these subsidiary records, companies would need to maintain extensive supporting documentation. Such an effort could potentially require the establishment of a new department that would be responsible for the preparation of the cost studies upon which amounts would be recorded in these subsidiary records, the monitoring of the demand for each rate element so that entries could be established for these records, and the maintenance of the documentation required to establish the required audit trail at an appropriate level of detail. This burden has not been justified, and PRTC requests that the Commission not impose it upon carriers.

D. The Subsidiary Records Requirement Would Be Inconsistent with Commission Actions to Reduce Administrative Burdens on Carriers

Since 1996, the Commission has taken action designed to reduce administrative burdens on carriers. For example, quarterly cost allocation manual updates have been replaced with an annual filing requirement, and numerous ARMIS reports that had been required quarterly or semi-annually are now filed annually. The imposition of the instant subsidiary record requirement would impose a new and significant administrative burden, contrary to the Commission's recent actions to reduce such burdens. PRTC requests that the Commission demonstrate its continuing commitment to reducing the costs of regulation by rejecting this proposed subsidiary record requirement.

E. The Commission May Issue Requests for Cost Information When Necessary

To the extent that the Commission decides that cost information related to interconnection or unbundled network elements is required, this information can be provided on a case-by-case basis, in response to information requests. Interconnection and access to unbundled network elements are similar to the access services that ILECs have sold to interexchange carriers for many years. In the access service context, the Commission routinely has required the provision of such information by specific request. PRTC recommends that when the Commission desires cost information regarding interconnection or unbundled network elements, a request can be issued for information to be provided on an aggregate basis, not as a detailed, formal part of the accounting system.

III. PRTC DOES NOT OPPOSE THE DEVELOPMENT OF NEW PART 32 ACCOUNTS

A. Interconnection and Access to Unbundled Network Elements

The Commission proposes a new Part 32 revenue account, Account 5071, Interconnection and access to unbundled network elements, and a new expense account, Account 6551, Interconnection and access to unbundled network elements.⁵ ILECs also would be required to maintain subsidiary record categories to identify the revenues received and the amounts paid for interconnection and each unbundled network element.⁶ PRTC does not oppose the establishment of these new accounts or the associated subsidiary record categories.

B. Transport and Termination

A new Part 32 revenue account, Account 5072, Transport and termination revenue, and a new expense account, Account 6552, Transport and termination expense, are proposed. In addition, subsidiary record categories would be required to record separately amounts attributable to transport and termination.⁷ PRTC does not oppose the establishment of these new accounts or the associated subsidiary record categories.

C. Resale

A new Part 32 expense account is proposed, Account 6553, Purchased telecommunications service expense, to record all amounts paid by ILECs to purchase telecommunications service for resale. Although a separate revenue account is not proposed

⁵ Id. at ¶ 8.

⁶ Id. at ¶ 9.

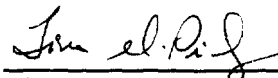
⁷ Id. at ¶ 11.

for revenues from resale, carriers would be required to establish subsidiary record categories to report the amounts contained in existing Part 32 revenue accounts that result from the wholesale of telecommunications services. PRTC does not oppose the establishment of this new account or the associated subsidiary record categories.

IV. CONCLUSION

Many of the proposed Part 32 amendments are warranted by recent changes in the telecommunications industry. However, the proposed requirement to maintain subsidiary record categories for the costs of interconnection and unbundled network elements would constitute a significant administrative burden. Because the desired information can be more efficiently provided through responses to information requests as necessary, this heightened administrative burden offers no sufficiently offsetting benefits. Accordingly, PRTC requests that the Commission decline to impose this subsidiary record requirement.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I, Dottie E. Holman, do hereby certify that a copy of the foregoing Comments of the Puerto Rico Telephone Company was sent by hand-delivery this 10th day of December, 1997, to the following:

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